

**Rating Action: Moody's assigns A1 rating to CODELCO's note issue;
Outlook Stable**

Global Credit Research - 10 Jul 2012

New York, July 10, 2012 -- Moody's Investors Service assigned A1 foreign currency ratings to Corporacion Nacional del Cobre de Chile's (CODELCO) senior unsecured notes issued in two tranches. Proceeds will be used to partially finance capital expenditures, refinance existing debt obligations and for general corporate purposes. The rating outlook is stable.

Assignments:

..Issuer: Corporacion Nacional del Cobre de Chile

...Senior Unsecured Regular Bond/Debenture, Assigned A1

RATINGS RATIONALE

CODELCO is 100% owned by the Chilean government and qualifies as a government-related issuer (GRI) under Moody's methodology for such entities ("The Application of Joint Default Analysis to Government-Related Issuers, originally published in April 2005 and updated on July 22, 2010). The A1 rating on the foreign currency notes is a function of the following inputs:

Baseline credit assessment (BCA) with a 5-7 range on a scale of 1 to 21

Aa3 Government bond rating of the Chilean government

High dependence

High support

CODELCO's BCA, at the low end of the 5-7 range, and resultant A1 foreign currency rating reflects its position as the world's largest copper producer (approximately 1.8 million metric tons in 2011 including its share of El Abra or roughly 11% of global copper production), its competitive cost position, and its solid reserve base, approximately 70 years at current production levels. CODELCO's multiple mine operating profile, which reduces the degree of operational risk, together with its vertical integration, which encompasses SX/EW and conventional smelting facilities further support its BCA ranking. This footprint contributes to robust operating performance in a strong copper market and acceptable performance during cyclical downturns.

Although CODELCO achieved record earnings in 2011 principally on strong copper prices as volumes sold were flat year-to-year and costs increased slightly, prices moderated toward the end of the year and continue to track below 2011 averages. While we expect CODELCO's earnings to moderate in 2012, we believe they as well as coverage ratios, such as EBIT/interest and debt/EBITDA, will remain at levels appropriate for the rating.

Despite the company's earnings generation capacity, the BCA incorporates the large investment requirements (\$4.3 billion announced for 2012) and considers the cash flow available to support such investments. The company's plans roughly \$15 billion in investments over the next 4 to 5 years, to increase production, and improve ore grades, efficiency and cost position. In addition, CODELCO pays significant dividends to the government although the company can request the retention of earnings to support strategic growth initiatives. Nonetheless, Moody's anticipates that leverage will increase over the medium term. However, the company's strategic growth investments, competitive cost position, and production levels support performance over the medium to longer-term.

CODELCO's ownership by the Chilean State and the framework in which it operates are also important considerations in the rating. Historically CODELCO has transferred its net income to the Chilean Treasury. Additionally, the company pays significant amounts in export, royalty and income taxes. Therefore, its cash flow available to cover capital expenditures and debt repayments has been limited to depreciation and other non cash-

add backs. As a consequence, the increase in debt to cover the planned investment program could be meaningful.

However, reflective of the importance of CODELCO within the Chilean economy, and the company's strategic development requirements, the government has, in recent years, agreed that a portion of CODELCO's earnings can be retained to support the capital spending profile and maintain a more balanced level of debt in the capital structure. However the amount to be retained is determined on a year-to-year basis. Recently the government agreed to \$800 million of 2011 profits being retained within CODELCO to support its investment requirements.

In addition, the BCA contemplates the level of earnings and cash flow generation that the asset base and cost position of CODELCO can generate. Moody's believes that CODELCO's cash generation capacity on a "normalized basis" is capable of supporting its capital spending requirements and debt obligations and that given CODELCO's budget approval process within Chile, sufficient funds will continue available to the company to meet debt obligations.

Additional factors considered in the rating include challenges facing the company with respect to energy and its availability, given the tight supply situation within Chile as well as water availability.

Upside adjustment in the BCA is unlikely due to the company's ongoing reinvestment requirements and the expectation for increased leverage in a business that will continue to exhibit variability in copper supply and demand balances, copper price volatility and input cost challenges.

The BCA and CODELCO's senior unsecured foreign currency ratings could be negatively impacted should earnings contract for a prolonged period of time such that EBIT margins were to be below 22%, interest coverage below 9% or debt/EBITDA above 2.5x. In addition, ratings could also be negatively impacted by increases in royalties, environmental compliance costs or other regulatory requirements.

The principal methodology used in rating CODELCO was the Global Mining Industry Methodology published in May 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Headquartered in Santiago, Chile, CODELCO, a mining, industrial and commercial state-owned enterprise, active primarily in the production of copper, had revenues of \$17.2 billion in 2011.

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